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Managing the Structure and Design of Organizations

Learning Objectives

After reading this chapter, you should be able to:

- **Identify the vertical and horizontal dimensions of organization structure.**
- **Develop coordination across departments and hierarchical levels.**
- **Differentiate between authority, responsibility, and accountability.**
- **Recognize when structural characteristics of centralization, span of control, formalization, and chain of command should be used.**
- **Apply the three basic approaches – functional, divisional, and matrix – to departmentalization.**
- **Use organization structure and the three basic organization designs – mechanistic, organic, and boundaryless – to achieve strategic goals.**
- **Anticipate key strategic events likely to trigger a change in the structure and design of an organization.**

Organizing

- **The deployment of resources to achieve strategic goals. It is reflected in:**
 - The organization's division of labor that forms jobs and departments.
 - Formal lines of authority.
 - The mechanisms used for coordinating diverse jobs and roles in the organization.
- **Strategy indicates *what* needs to be done.**
- **Organizing shows *how* to do it.**

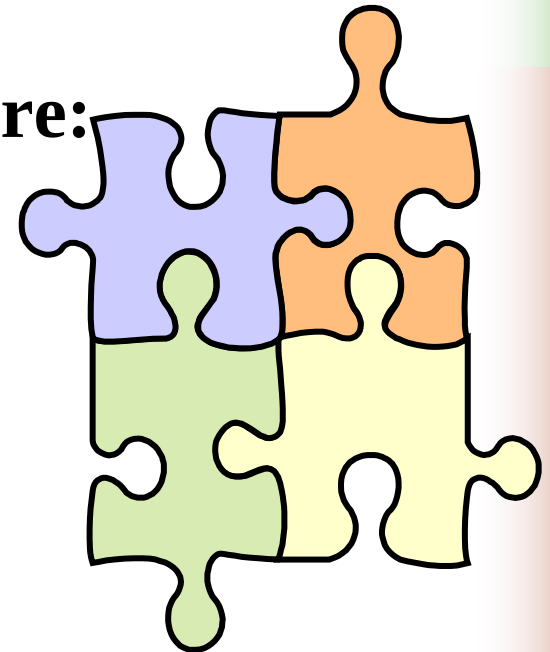
Organization Structure

- **Formal system of relationships that determine:**

- Lines of authority – *who reports to whom.*
- Tasks assigned to individuals and units – *who does what tasks and with which department.*

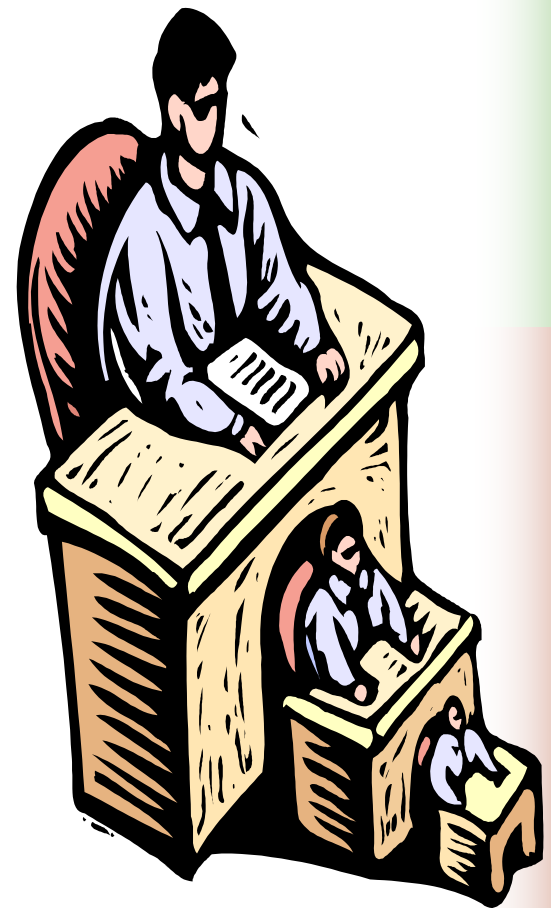
- **Dimensions of organization structure:**

- Vertical dimension
- Horizontal dimension



The Vertical Dimension of Organization Structure

- **Unity of Command** – a subordinate should have only one direct supervisor.
- A decision can be traced back from the subordinates who carry it out to the manager who made it.



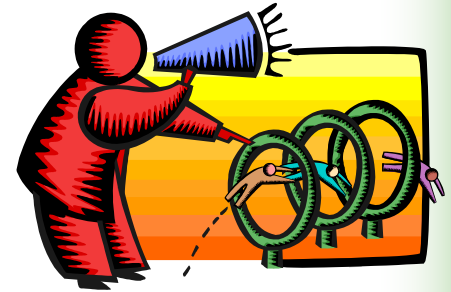
The Vertical Dimension of Organization Structure (continued)

- **Authority** – The formal right of a manager to make decisions, give orders, and expect the orders to be carried out.
 - Line Authority
 - Staff Authority
- **Responsibility** – the manager's duty to perform an assigned task.
- **Accountability** – the manager (or other employee) with authority and responsibility must be able to justify results to a manager at a higher level in the organizational hierarchy.

The Vertical Dimension of Organization Structure (continued)

● *Line Authority*

- entitles a manager to directly control the work of subordinates by hiring, discharging, evaluating, and rewarding them
- line managers hold positions that contribute directly to the strategic goals of the organization
- part of the chain of command



● *Staff Authority*

- the right to provide advice, recommend, and counsel line managers and others in the organization
- staff managers direct line managers

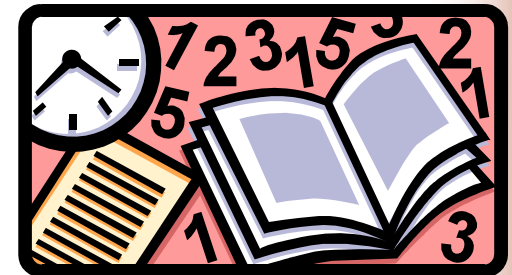


The Vertical Dimension of Organization Structure (continued)

- **Span of control** – the feature of vertical structure that outlines:
 - The number of subordinates who report to a manager.
 - The number of managers.
 - The layers of management within an organization.
- **Smaller span – fewer employees supervised by a manager – creates a tall vertical organizational structure**
- **Larger span – greater number of employees supervised – creates a flat organizational structure**

The Vertical Dimension of Organization Structure (continued)

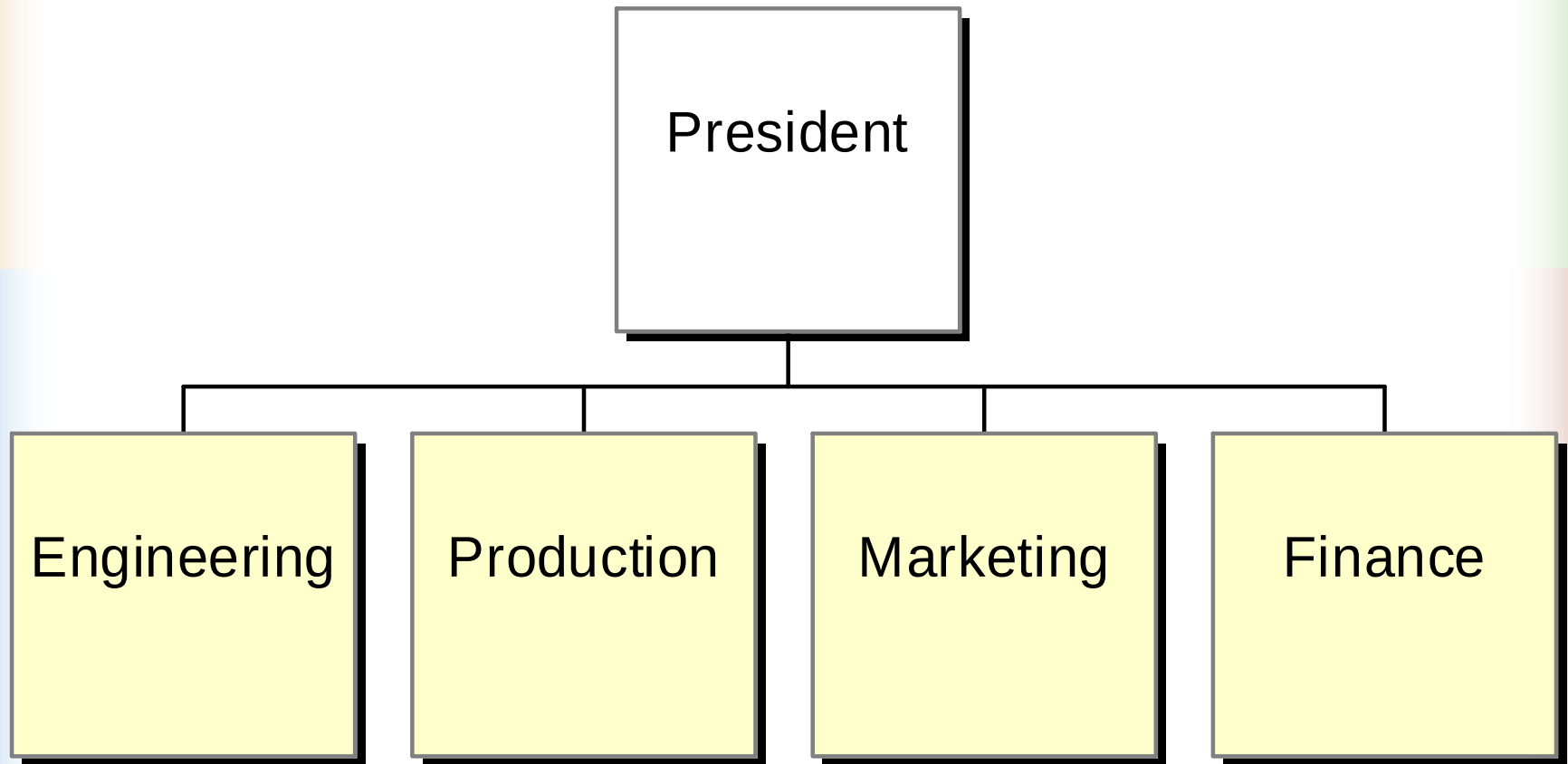
- **Centralization** – the location of decision authority at the top of the organization hierarchy.
- **Decentralization** – the location of decision authority at lower levels in the organization.
- **Formalization** – the degree of written documentation that is used to direct and control employees.



The *Horizontal Dimension* of Organization Structure

- **The organization structure element that is the basis for:**
 - Dividing work into specific jobs and tasks.
 - Assigning jobs into units such as departments or teams.
- **Departmentalization:**
 - Functional
 - Divisional
 - Matrix

Functional Departmental Structure



Advantages and Disadvantages of the Functional Approach

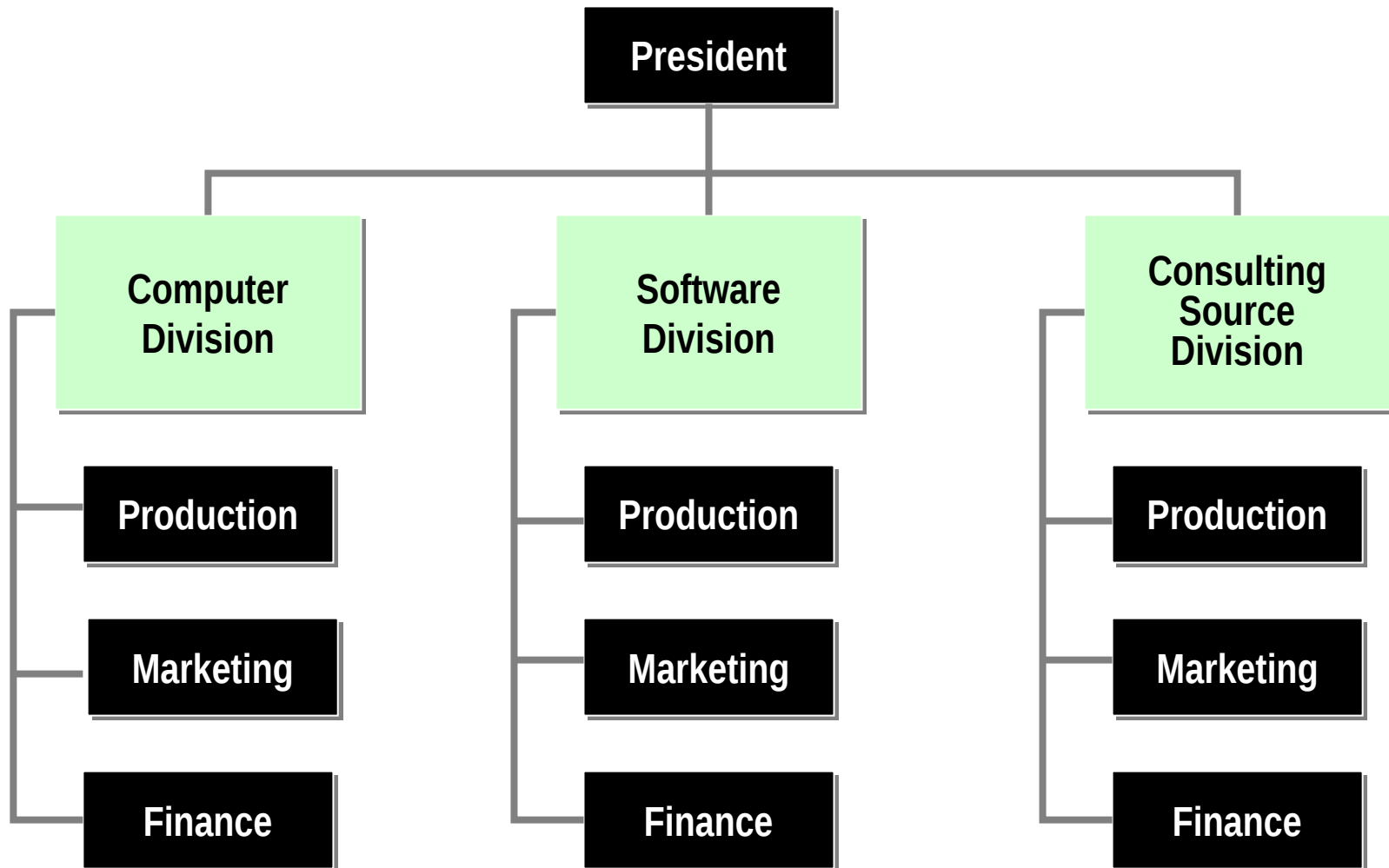
Advantages

- Decision authority is centralized at the top of the organization hierarchy
- Career paths foster professional identity with the business function
- High degree of efficiency
- Economies of scale help develop specialized expertise in employees

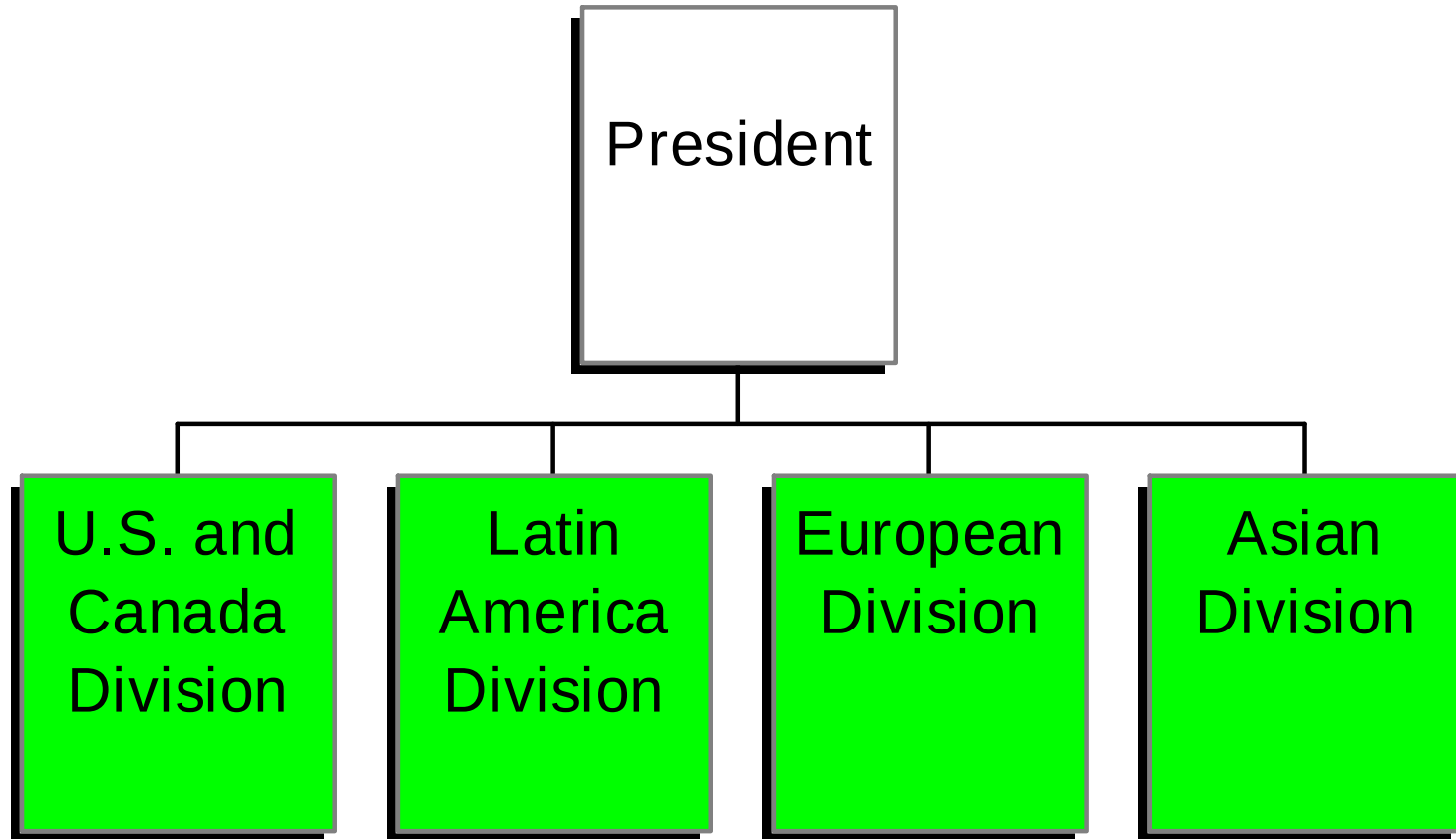
Disadvantages

- Communication barriers
- Conflict between departments
- Coordination of products and services is difficult
- Diminished responsiveness to customers' needs
- Employees identify with functional department goals and not organization goals or needs of the customer

Divisional Organization Structure



Geographic-Based Organization Structure



Advantages and Disadvantages of the Divisional Approach

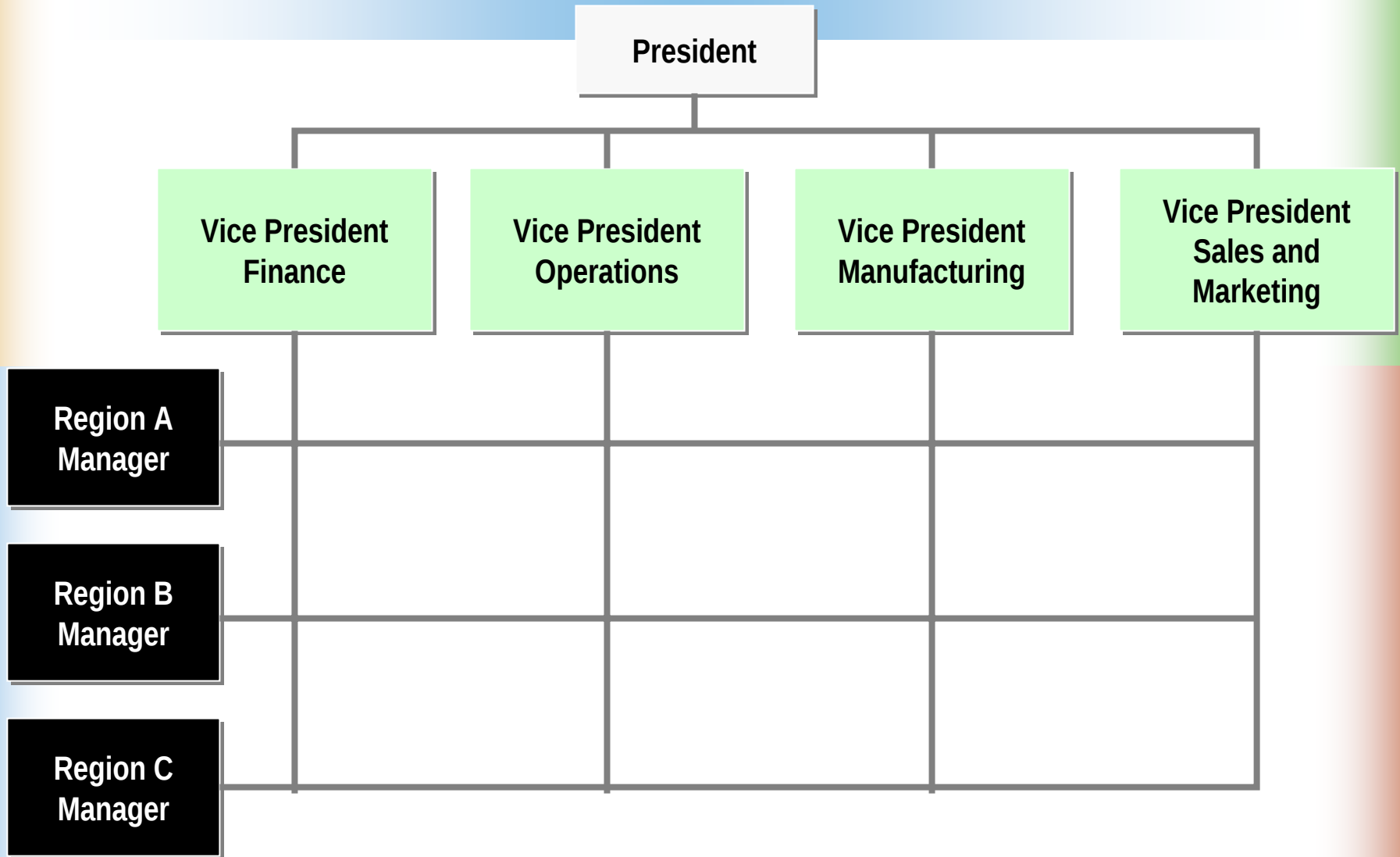
Advantages

- Coordination among different business functions
- Improved and speedier service
- Accountability for performance
- Development of general manager and executive skills

Disadvantages

- Duplication of resources by two or more departments
- Reduced specialization in occupational skills
- Competition among divisions

Matrix Organization Structure



Advantages and Disadvantages of the Matrix Approach

Advantages

- Efficient utilization of scarce, expensive specialists
- Flexibility that allows new projects to start quickly
- Development of cross-functional skills by employees
- Increased employee involvement in management decisions affecting project or product assignments

Disadvantages

- Employee frustration and confusion as a result of the dual chain of command
- Conflict between product and functional managers over deadlines and priorities
- Too much time spent in meetings to coordinate decisions

Coordination Mechanisms

Meetings

Organization-wide
Reward Systems

Task Forces and Teams

Liaison Roles

Integrating Managers

Organizational Culture



Organization Design

- **The selection of an organization structure that best fits the strategic goals of the business.**
- **Basic organization designs:**
 - Mechanistic
 - Organic
 - Boundaryless
- **These designs incorporate vertical and horizontal structural elements.**

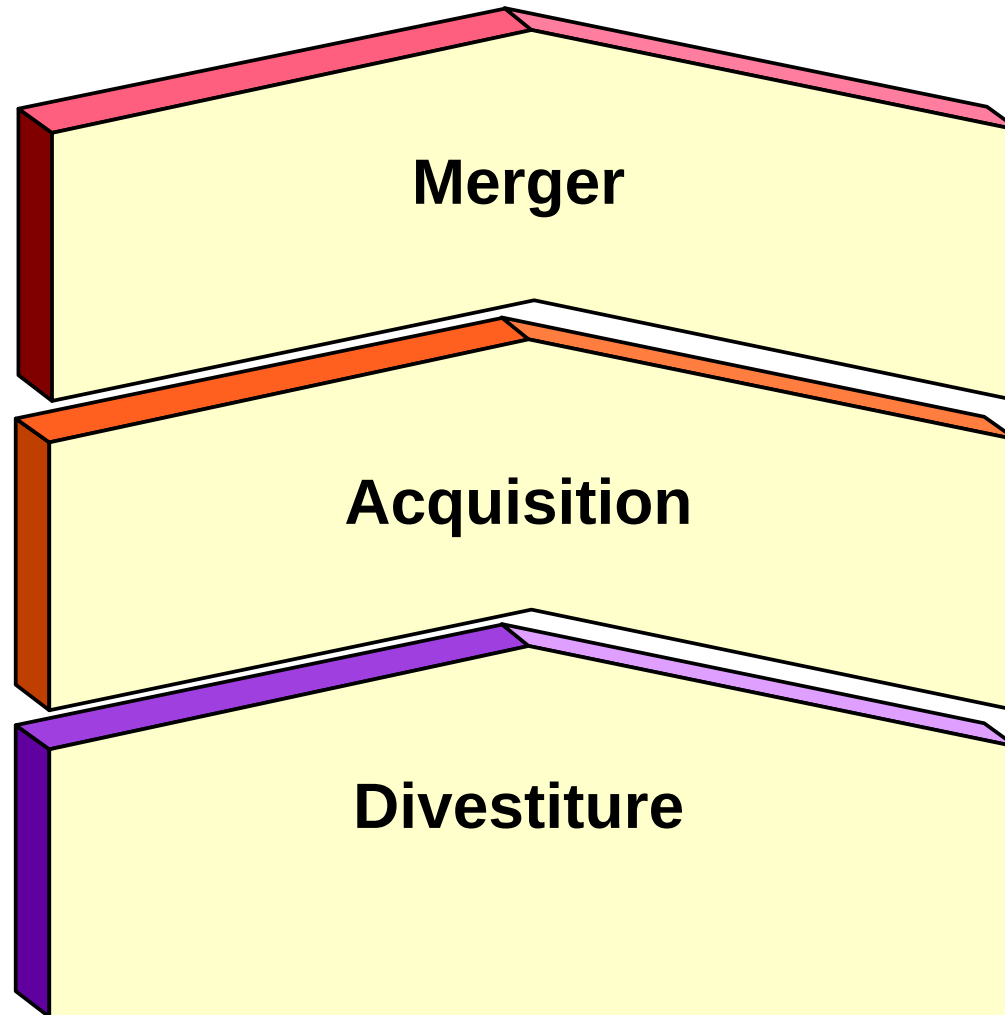
Organization Design (continued)

- **As business strategy changes, so do the structural elements of organization design.**
- **Strategic factors that affect the choices of organization design:**
 - Organization capabilities
 - Technology
 - Organization size
 - Environmental turbulence

Mechanistic, Organic, and Boundaryless Designs

Mechanistic	Organic	Boundaryless
Rigid hierarchical relationships	Collaboration (both vertical and horizontal)	Collaboration (vertical, horizontal, customers, suppliers, competitors)
High formalization	Low formalization	Low formalization
Top-down communication	Informal communication	Informal communication
Centralized decision authority	Decentralized decision authority	Decentralized decision authority
Narrowly defined specialized jobs	Broadly defined flexible jobs	Broadly defined flexible jobs
Emphasis on individuals working independently	Emphasis on teams	Emphasis on teams that also may cross organization boundaries

Redesigning Organizations



Applications of Management Perspectives—*For the Manager*

- **Organization structure provides sources other than formal authority for a manager to get things done.**
- **One source of power is the recognition of how the resources that a unit or department controls can contribute to organization performance.**

Applications of Management Perspectives—*For Managing Teams*

- **One way to strengthen the culture of a team is to organize a ceremony that exemplifies what the team values.**
- **Ceremonies reinforce specific values and create bonds among employees by allowing them to celebrate the achievements of the team or of individual team members.**
- **Ceremonies celebrate high-performing employees and help build cohesion among team members.**

Applications of Management Perspectives—*For Individuals*

- **Make yourself indispensable by anticipating your boss's need for support and by providing it without being asked.**
- **Look for ways to show loyalty by speaking well of your boss to others.**
- **Develop a trusting relationship by being dependable, consistent, and honest.**
- **Keep your boss well informed.**